

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Morton Township	County Mecosta
Fiscal Year End June 30, 2007	Opinion Date November 26, 2007	Date Audit Report Submitted to State November 29, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

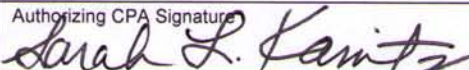
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not issued	
Other (Describe)	<input type="checkbox"/>	Not required	
Certified Public Accountant (Firm Name) Lake Michigan CPA Services, PLC		Telephone Number (231) 690-5217	
Street Address 239 N. Jebavy Drive		City Ludington	State MI
		Zip 49431	
Authorizing CPA Signature 		Printed Name Sarah L. Kanitz	License Number 1101027051

Morton Township
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
Year ended June 30, 2007

Morton Township

List of Elected Officials

Supervisor:	James Scott
Clerk:	Lewis Johnson
Treasurer:	Douglas Behrend
Trustee:	William Guy
Trustee:	Mark Kuzma

Morton Township

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INDEPENDENT AUDITOR'S REPORT

November 26, 2007

Township Board
Morton Township
Mecosta, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morton Township, as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Morton Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Morton Township, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 28 through 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles

generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Lake Michigan CPA Services, PLLC
Ludington, Michigan

MORTON TOWNSHIP

Mecosta, MI

Management's Discussion and Analysis

Using this Annual Report

As management of Morton Township, we offer readers of Morton Township's financial statements, this narrative overview and analysis of financial activities for the year ended June 30, 2007. The Township is presenting this analysis along with the financial statements in a format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34). The annual report consists of a series of financial statements, including the Statement of Net Assets and the Statement of Activities, which provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements are also included, which tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The Township's governmental activities showed an improvement over the prior year, as the Township's revenues exceeded expenses by \$366,332 in the government-wide financial statements. This was an improvement over the 2006 fiscal year, which reflected a decrease in net assets of \$37,502.

The Township's General Fund revenues exceeded expenditures by \$316,762, which contributed the most to the overall government wide increase in net assets.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to give a view of the entity as a whole. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective

MORTON TOWNSHIP

Mecosta, MI

Management's Discussion and Analysis

similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities and charges.

The Statement of Net Assets is the Township-wide statement of financial position presenting information that includes all of the Township's assets and liabilities, with the difference reported as net assets. Over time, changes in net assets may serve as a useful indicator of the financial health of the Township and whether the financial condition is improving or deteriorating.

The Statement of Activities reports how the Township's net assets changed during the current fiscal year. All current year revenues and expenses are included when the event giving rise to the change occurs, regardless of the timing of when cash is received or paid. The Statement of Activities is designed to help show the financial reliance of the Township's distinct activities or functions on revenues provided by the Township's taxpayers and intergovernmental revenues.

Fund Financial Statements.

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with related laws and regulations. Within the basic financial statements, the fund financial statements focus on the Township's most significant funds, rather than the Township as whole. Major funds are separately reported while all others are combined into an aggregated presentation. Morton Township has several governmental funds, but has no business-type funds. The Township's major funds are the General Fund, the Building Department Fund, the Fire and Rescue Operating Fund, and the Library Fund.

The Township has two types of funds as noted below:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Township's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year. Governmental funds are useful in evaluating annual financial requirements of

MORTON TOWNSHIP

Mecosta, MI

Management's Discussion and Analysis

governmental programs and the commitment of spendable resources for the near-term.

The government-wide financial statements focus on the long-term view, while the fund statements focus on a shorter view. Therefore, comparisons of the two may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances include a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison for the General Fund and each major fund is found at the end of this report. These schedules demonstrate compliance with the Township's adopted and final revised budget.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide financial reporting, as they are used to account for resources held for the benefit of parties other than the Township. Fiduciary fund financial statements report resources that are not available to fund Township programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the Financial Statements.

The accompanying notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes begin immediately following the basic financial statements.

Government-wide Financial Analysis

Net assets of the Township may be used as an indicator of a government's overall financial position. As of June 30, 2007, the Township's net assets from governmental activities totaled \$3,463,691, which was an increase over the net assets of \$3,097,359 at June 30, 2006.

Net assets of the Township include net assets which are invested in capital assets (i.e., buildings, land, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Net assets invested in capital assets totaled \$1,107,940 at

MORTON TOWNSHIP

Mecosta, MI

Management's Discussion and Analysis

June 30, 2007 and \$1,168,368 at June 30, 2006. The Township did not have any debt outstanding at June 30, 2007 or 2006. The unrestricted net assets for governmental-type activities at June 30, 2007 depict a fund balance of \$2,168,213. The unrestricted fund balance represents the amount of discretionary resources that can be used for general governmental operations. Restricted net assets at June 30, 2007 consisted of net assets restricted for continuing Library operations of \$187,538.

The following table presents a summary of the government-wide statement of net assets:

MORTON TOWNSHIP Summary of Net Assets June 30, 2007 and 2006

	June 30, 2007	June 30, 2006	Increase/ (Decrease)
Current assets	\$ 2,170,909	\$ 1,772,583	\$ 398,326
Noncurrent assets	1,295,478	1,327,366	(31,888)
Total Assets	<u>3,466,387</u>	<u>3,099,949</u>	<u>366,438</u>
Current liabilities	2,696	2,590	106
Net Assets			
Invested in Capital Assets	1,107,940	1,168,368	(60,428)
Restricted for library operations	187,538	158,998	28,540
Unrestricted	2,168,213	1,769,993	398,220
Total Net Assets	<u>\$ 3,463,691</u>	<u>\$ 3,097,359</u>	<u>\$ 366,332</u>

The change in governmental activities' net assets showed an increase of \$366,332 during the fiscal year. Operating revenues of \$173,105 and general revenues of \$1,178,165 combined exceeded expenses of \$984,938.

MORTON TOWNSHIP

Mecosta, MI

Management's Discussion and Analysis

The following table summarizes the governmental statement of activities for the years ended June 30, 2007 and 2006:

Summary of the Statement of Activities For the Years Ended June 30, 2007 and 2006		
Revenues	6/30/2007	6/30/2006
Program Revenues		
Charges for Services	\$ 118,859	\$ 139,194
Operating Grants and Contributions	54,246	49,845
General Revenues		
Property Taxes	403,944	382,244
Specific Property Taxes	421,689	399,538
Grants and Contributions not restricted	220,596	215,782
Unrestricted Investment Earnings	99,585	63,917
Miscellaneous	32,351	52,747
Total Revenue	1,351,270	1,303,267
Expenses		
General Government	380,690	353,236
Public Safety	319,648	707,405
Public Works	9,706	16,078
Community and economic development	19,394	27,527
Library	255,500	236,128
Interest	-	395
Total Expenses	984,938	1,340,769
Increase in Net Assets	366,332	(37,502)
Net Assets, July 1, 2006	3,097,359	3,134,861
Net Assets, June 30, 2007	\$ 3,463,691	\$ 3,097,359

Fund Financial Analysis

As noted above, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming requirements. Morton has several governmental funds, including the General Fund, the Building Department Fund, the Fire and Rescue Operating Fund, and the Library

MORTON TOWNSHIP

Mecosta, MI

Management's Discussion and Analysis

Fund. There is also one nonmajor fund, the Fire and Rescue Department Housing and Equipment Fund.

The General Fund reported an ending fund balance of \$1,700,661, all of which is unreserved and unrestricted for continuing Township service requirements. The fund balance of the General Fund rose \$316,762 over the prior year. This was due to an increase in revenue and a decline in spending.

In the Building Department Fund, the total fund balance of \$6,137 is unreserved. During fiscal year 2007, this fund balance declined by \$20,335. This was due to spending which exceeded building permit fees collected.

The Fire & Rescue Operating Fund experienced a decrease of \$4,889 during the fiscal year, bringing the ending fund balance to \$32,415. The entire fund balance is reserved for department operations.

The Library Fund increased \$52,206 during 2007, which was due largely to investment earnings of \$34,959. All of the fund balance totaling \$389,543 is reserved for continuing library operations.

The fund balance of the other governmental fund is reserved for fire and rescue equipment and housing needs.

Budgetary Highlights

The originally adopted General Fund budget for the June 30, 2007 fiscal year showed planned revenue of \$603,100 and expenditures of \$1,962,030. The excess of expenditures over revenues was to be covered by the Township's fund balance. The total revenue and expenditure budget did not change from the original budget to the final amended budget. However there was a change of \$4,500 from the township board function to the elections function.

The planned budget for the building department fund reflected \$86,500 in revenue and \$112,815 in expenditures. There were no changes in this budget and no line items exceeded the budget.

MORTON TOWNSHIP

Mecosta, MI

Management's Discussion and Analysis

The Fire and Rescue Operating Fund budget reflected \$135,600 in revenues and spending of \$173,459. This budget was not amended during the fiscal year. There were no overexpenditures within the Fire and Rescue Operating Fund.

The 2007 revenue budget of the Library Fund was set at \$583,100 and remained unchanged throughout the year. Expenditures were budgeted to be \$240,700 and were not amended during 2007.

Capital Assets

The Township's total investment in capital assets as of June 30, 2007 was \$1,107,940. The investment in capital assets includes land, buildings and improvements, vehicles, equipment, and furniture and fixtures. Current year capital asset additions included the purchase of new computers totaling \$3,398 and upgrades to a fire truck, which cost \$25,874.

The following table depicts the composition of capital assets of the Township as of June 30, 2007 and 2006:

Capital Assets
June 30, 2007 and 2006

Nondepreciable	6/30/2007	6/30/2006
Land	\$ 224,692	\$ 224,692
Depreciable		
Buildings and improvements	911,792	911,792
Fire equipment and trucks	883,864	857,990
Equipment	21,881	18,483
Furniture and fixtures	5,331	5,331
Total depreciable assets	1,822,868	1,793,596
Total capital assets	2,047,560	2,018,288
Less: Accumulated Depreciation	(939,620)	(849,920)
Capital assets, net of accumulated depreciation	\$ 1,107,940	\$ 1,168,368

MORTON TOWNSHIP

Mecosta, MI

Management's Discussion and Analysis

Long-term debt

Morton Township had no outstanding debt at June 30, 2007 and 2006.

General Economic Overview

Morton Township plans to maintain its financial stability over the course of the next fiscal year. The two main sources of revenue for the Township are property taxes and state shared revenue, both of which are expected to remain at about the same level or slightly below what was experienced in the current fiscal year. Expenditures are planned to remain consistent with the 2007 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Morton Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Morton Township, 290 W. Main Street, PO Box 2, Mecosta, MI 49332 or at (231) 972-7138.

Morton Township
Statement of Net Assets
June 30, 2007

ASSETS

	Governmental activities
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,914,406
Investments	220,231
Receivables	235
Due from other governmental units	36,037
Total current assets	<u>2,170,909</u>
NONCURRENT ASSETS	
Restricted investments	187,538
Capital assets, net	
Nondepreciable	224,692
Depreciable	883,248
Total capital assets, net	<u>1,107,940</u>
Total noncurrent assets	<u>1,295,478</u>
Total assets	<u><u>\$ 3,466,387</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	2,155
Accrued payroll	541
Total current liabilities	<u>2,696</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,107,940
Restricted for:	
Library operations	187,538
Unrestricted	<u>2,168,213</u>
Total net assets	<u><u>\$ 3,463,691</u></u>

The accompanying notes are an integral part of this statement.

Morton Township
Statement of Activities
For the year ended June 30, 2007

Functions/Programs	Program Revenue			Net (Expense)
	Expenses	Charges for services	Operating grants and contributions	Revenue and Changes in Net Assets
Governmental activities:				Governmental activities
General government	\$ 380,690	\$ 18,660	\$ -	\$ (362,030)
Public safety	319,648	76,985	-	(242,663)
Public works	9,706	-	-	(9,706)
Community and economic development	19,394	2,820	-	(16,574)
Library	255,500	20,394	54,246	(180,860)
Total governmental activities	<u>\$ 984,938</u>	<u>\$ 118,859</u>	<u>\$ 54,246</u>	<u>(811,833)</u>
General revenues				
Property taxes, levied for general purposes				403,944
Property taxes, levied for specific purposes				421,689
Grants and contributions not restricted to specific programs				220,596
Unrestricted investment earnings				99,585
Miscellaneous				32,351
Total general revenues and special items				<u>1,178,165</u>
Change in net assets				366,332
Net assets at July 1, 2006				<u>3,097,359</u>
Net assets at June 30, 2007				<u>\$ 3,463,691</u>

The accompanying notes are an integral part of this statement.

Morton Township
Balance Sheet
Governmental Funds
June 30, 2007

ASSETS

	General Fund	Building Department Fund	Fire & Rescue Operating Fund	Library Fund	Other governmental fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,446,110	\$ 5,976	\$ 32,970	\$ 202,355	\$ 226,995	\$ 1,914,406
Investments	220,231	-	-	-	-	220,231
Accounts receivable	74	161	-	-	-	235
Due from other funds	1,430	-	-	-	-	1,430
Due from other governmental units	33,876	-	-	2,161	-	36,037
Restricted investments	-	-	-	187,538	-	187,538
Total assets	<u>\$ 1,701,721</u>	<u>\$ 6,137</u>	<u>\$ 32,970</u>	<u>\$ 392,054</u>	<u>\$ 226,995</u>	<u>\$ 2,359,877</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 1,060	\$ -	\$ 14	\$ 1,081	\$ -	\$ 2,155
Accrued payroll and related liabilities	-	-	541	-	-	541
Due to other funds	-	-	-	1,430	-	1,430
Total liabilities	<u>1,060</u>	<u>-</u>	<u>555</u>	<u>2,511</u>	<u>-</u>	<u>4,126</u>

FUND BALANCES

Reserved for:

Fire operations	-	-	32,415	-	-	32,415
Library operations	-	-	-	389,543	-	389,543
Fire and rescue equipment and housing	-	-	-	-	226,995	226,995
Unreserved	<u>1,700,661</u>	<u>6,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,706,798</u>
Total fund balances	<u>1,700,661</u>	<u>6,137</u>	<u>32,415</u>	<u>389,543</u>	<u>226,995</u>	<u>2,355,751</u>
Total liabilities and fund balances	<u>\$ 1,701,721</u>	<u>\$ 6,137</u>	<u>\$ 32,970</u>	<u>\$ 392,054</u>	<u>\$ 226,995</u>	<u>\$ 2,359,877</u>

The accompanying notes are an integral part of this statement.

Morton Township
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2007

Total fund balance—governmental funds	\$ 2,355,751
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds.

Cost of capital assets	\$ 2,047,560	
Accumulated depreciation	<u>(939,620)</u>	1,107,940

Net assets of governmental activities in the Statement of Net Assets	<u>\$ 3,463,691</u>
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The accompanying notes are an integral part of this statement.

Morton Township
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2007

	General Fund	Building Department Fund	Fire & Rescue Operating Fund	Library Fund	Other governmental fund	Total governmental funds
REVENUES						
Property taxes	\$ 403,944	\$ -	\$ 117,768	\$ 183,120	\$ 120,801	\$ 825,633
Intergovernmental revenues - state	216,445	-	-	4,151	-	220,596
Charges for services	19,060	-	14,330	20,394	-	53,784
Licenses and permits	2,420	62,655	-	-	-	65,075
Franchise fees	31,086	-	-	-	-	31,086
Penal fines	-	-	-	38,796	-	38,796
Donations	-	-	-	15,450	-	15,450
Investment earnings	58,188	659	1,307	34,959	4,472	99,585
Other	1,197	-	68	-	-	1,265
Total revenues	<u>732,340</u>	<u>63,314</u>	<u>133,473</u>	<u>296,870</u>	<u>125,273</u>	<u>1,351,270</u>
EXPENDITURES						
Current:						
General government	369,810	-	-	-	-	369,810
Public safety	-	95,649	139,632	-	16,383	251,664
Public works	9,706	-	-	-	-	9,706
Community and economic development	19,394	-	-	-	-	19,394
Library	-	-	-	244,664	-	244,664
Capital outlay	3,398	-	-	-	25,874	29,272
Total expenditures	<u>402,308</u>	<u>95,649</u>	<u>139,632</u>	<u>244,664</u>	<u>42,257</u>	<u>924,510</u>
Excess of revenues over expenditures	<u>330,032</u>	<u>(32,335)</u>	<u>(6,159)</u>	<u>52,206</u>	<u>83,016</u>	<u>426,760</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	12,000	1,270	-	-	13,270
Transfers out	(13,270)	-	-	-	-	(13,270)
	<u>(13,270)</u>	<u>12,000</u>	<u>1,270</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	316,762	(20,335)	(4,889)	52,206	83,016	426,760
Fund balance at July 1, 2006	<u>1,383,899</u>	<u>26,472</u>	<u>37,304</u>	<u>337,337</u>	<u>143,979</u>	<u>1,928,991</u>
Fund balance at June 30, 2007	<u>\$ 1,700,661</u>	<u>\$ 6,137</u>	<u>\$ 32,415</u>	<u>\$ 389,543</u>	<u>\$ 226,995</u>	<u>\$ 2,355,751</u>

The accompanying notes are an integral part of this statement.

Morton Township

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the governmental funds to the Statement of Activities

For the year ended June 30, 2007

Net changes in fund balances - total governmental funds	\$ 426,760
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(89,700)
Capital outlay	29,272

Change in net assets of governmental activities	\$ <u>366,332</u>
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The accompanying notes are an integral part of this statement.

Morton Township
Statement of Fiduciary Assets, Liabilities, and Net Assets
Fiduciary Funds
June 30, 2007

	Retirement Health Fund	Tax Collection Fund
ASSETS		
Cash and cash equivalents	\$ 803	\$ 158
Investments	<u>69,001</u>	<u>-</u>
Total assets	<u><u>\$ 69,804</u></u>	<u><u>\$ 158</u></u>
LIABILITIES		
Due to other governmental units	-	<u><u>\$ 158</u></u>
NET ASSETS		
Held in Trust for Other Employee Benefits	<u><u>\$ 69,804</u></u>	

The accompanying notes are an integral part of this statement.

Morton Township
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the year ended June 30, 2007

	Retirement Health Fund
ADDITIONS	
Investment earnings	\$ 2,023
DEDUCTIONS	
Benefits	<u>(3,624)</u>
Change in Net Assets	<u>(1,601)</u>
Net assets at July 1, 2006	<u>71,405</u>
Net assets at June 30, 2007	\$ <u><u>69,804</u></u>

The accompanying notes are an integral part of this statement.

Morton Township

Notes to the Financial Statements

June 30, 2007

I. Summary of significant accounting policies

The accounting policies of Morton Township have been prepared to conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by Morton Township.

A. Reporting entity

Morton Township is a general law township located in Mecosta County, which operates under the direction of a five member elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

Morton Township

Notes to the Financial Statements

June 30, 2007

recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property and other taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Morton Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Building Department Fund accounts for the activities of the Building, Plumbing & Mechanical, and Electrical Inspection departments. Building permits are the primary source of revenue in this fund, which is used to pay for the wages and supplies of the inspection department.

The Fire & Rescue Operating Fund accounts for the activities of the fire and rescue departments of the Township.

The Library Fund is used to account for revenues and expenditures for the Morton Township Library.

Morton Township

Notes to the Financial Statements

June 30, 2007

Additionally, the township reports the following fund types:

The tax collection agency fund accounts for all of the tax collection payments and disbursements to Morton Township and other governmental units.

The Retirement Health Fund is used to accumulate resources for post employment health care benefits and to account for disbursements for this purpose.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds. All investments are reported at fair value.

The Township's pension trust investments are held in trust by the investment fiduciary, the Lincoln Financial Group. The State of Michigan authorizes the Township's plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit,

Morton Township

Notes to the Financial Statements

June 30, 2007

real estate, annuity contracts, obligations of a specified nature, and real or personal property. Pension plan securities traded on national exchanges are valued at the last reported sales price.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”.

All trade and property tax receivables are shown net of allowance for uncollectibles. The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Property taxes are levied on December 1 on the taxable valuation of real and personal property (as defined by state statutes) located in the Township as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for property within the Township totaled approximately \$246,782,840. The property tax levied consisted of 1.2368 mills for the Township’s operating purposes recorded in the General Fund; .4722 mills for Fire & Rescue Department operations, which was recorded in the Fire & Rescue Operating Fund; .4947 mills for housing and equipment for the Fire & Rescue Department recorded in the Fire & Rescue Housing and Equipment fund, and .7421 for the Township Library, as reflected in the Library fund.

3. Capital assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Morton Township

Notes to the Financial Statements

June 30, 2007

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Equipment and Vehicles	5-20
Furniture and Fixtures	5

4. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

5. Restricted assets

The Library has established an endowment fund that accounts for donations for future library operations and investment earnings on the endowed assets. The funds are invested within Oppenheimer Funds in various stock and bond funds and are recorded at fair value at June 30, 2007.

6. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The township clerk and treasurer prepare the budget and submit it to the Township Board prior to June 30. The operating budget includes proposed expenditures and the means of financing them. A public hearing is held at the Township Hall to obtain taxpayer

Morton Township

Notes to the Financial Statements

June 30, 2007

comments. Prior to the end of the fiscal year, the Township Board enacts the budget through a resolution. The budget is amended throughout the year, when required to provide for additional revenues and expenditures.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within departments may be approved by department heads. However, transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board adopted a budgetary appropriation transferring \$4,500 from the Township Board department to the Elections department during the 2007 fiscal year.

B. Excess of expenditures over appropriations

For the year ended June 30, 2007, transfers out of the General Fund totaling \$13,270 exceeded appropriations of \$0. These overexpenditures were funded by greater than anticipated revenues. Within the Library Fund, several line items exceeded the line item budget. However, the total library department (the legal level of budgetary control) was within ten percent of budgeted expenditures.

III. Detailed notes on all funds

A. Deposits and investments

As of June 30, 2007, the township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Rating</u>	<u>Percent</u>
Negotiable certificates of deposit	\$220,231	15.9	Not rated	100%
Restricted assets:				
Mutual funds				
Equities	\$166,526	Not applicable	Not rated	
US Government securities	12,851	Not applicable	Not rated	
Fixed income bonds	<u>8,161</u>	Not applicable	Not rated	
	<u>\$187,538</u>			

Interest Rate Risk

The Township's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Township's investment policy does not further limit its investment options.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township

Morton Township

Notes to the Financial Statements

June 30, 2007

investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Township does not have a concentration of credit risk policy.

Custodial Credit Risk - Deposits

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require, and the Township does not have, a deposit policy for custodial credit risk. As of June 30, 2007, \$482,012 of the Township's governmental funds' bank balances were covered by federal depository insurance and \$1,459,755 was exposed to custodial credit risk because it was uninsured and uncollateralized. All of the Township's investments of \$220,231 were exposed to custodial credit risk.

Foreign currency risk

The Township is not authorized to invest in securities which have this type of risk.

B. Receivables

The Township's receivables in the governmental funds consisted of trade accounts receivable of \$235. The Township's due from other governmental units of \$36,037 consisted of a State of Michigan shared revenue payment of \$33,876 recorded in the General Fund and state aid of \$2,161 recorded in the Library fund.

C. Capital assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 224,692	\$ -	\$ -	\$ 224,692
Capital assets, being depreciated:				
Buildings and improvements	911,792	-	-	911,792
Fire equipment and vehicles	857,990	25,874	-	883,864
Equipment	18,483	3,398	-	21,881
Furniture and fixtures	5,331	-	-	5,331
Total capital assets, being depreciated:	1,793,596	29,272	-	1,822,868
Less accumulated depreciation	(849,920)	(89,700)	-	(939,620)
Net capital assets, being depreciated	943,676	(60,428)	-	883,248
Total governmental capital, net	<u>\$1,168,368</u>	<u>\$ (60,428)</u>	<u>\$ -</u>	<u>\$ 1,107,940</u>

Morton Township

Notes to the Financial Statements

June 30, 2007

Depreciation expense was charged to the functions/programs of the primary government as detailed below:

Governmental activities:

General government	\$ 10,880
Public safety	67,984
Library	<u>10,836</u>
Total depreciation expense	<u>\$ 89,700</u>

D. Interfund receivables, payables, and transfers

The Township's interfund receivables and payables at June 30, 2007 included a \$1,430 balance due to the General Fund from the Library Fund for insurance.

The Township's interfund transfers during the 2007 fiscal year consisted of the following for operating purposes:

<u>Fund Transferring Out</u>	<u>Receiving Fund</u>	<u>Amount</u>
General Fund	Building Department Fund	\$12,000
General Fund	Fire Operating Fund	1,270

E. Net assets restrictions

The Township's restricted net assets of \$187,538 at June 30, 2007 consisted of assets restricted by external parties for continuing Library operations.

F. Other information

1. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

2. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

Morton Township

Notes to the Financial Statements

June 30, 2007

G. Pension plan

The Township provides pension benefits for all of its elected officials and salaried employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township is required to contribute an amount equal to 10 percent of the qualified employees' annual compensation each plan year. For the year ended June 30, 2007, pension expense was approximately \$23,600.

H. Other postemployment benefits

The Township provides other postemployment benefits for elected officials that serve two terms and full-time employees who have worked a minimum of ten years. The Township's plan will provide 75% of the health care insurance benefit cost to qualified retired Township officials and employees and the person's surviving spouse. The plan is administered by the Township.

The Township has established a Retirement Health Care Fund for the purpose of accumulating resources to provide for health care benefits to qualified retirees and their spouses. The Township periodically transfers funds from the General Fund into the Retirement Health Care Fund to save for future disbursements, but does not have an employer or employee contribution requirement. The Township is currently providing health care benefits to one retiree beneficiary. For the year ended June 30, 2007, benefits paid totaled \$3,624.

I. Economic dependency

The Township relies on the State of Michigan Shared Revenue program to fund a portion of its current governmental operations. For the year ended June 30, 2007, the state shared revenue was approximately 16% of total governmental revenue.

Required supplementary information

Morton Township
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2007

	Budgeted Amounts			Variance with final budget-
	Original	Final	Actual	positive (negative)
REVENUES				
Property taxes	\$ 381,500	\$ 381,500	\$ 403,944	\$ 22,444
Intergovernmental revenues - state	180,000	180,000	216,445	36,445
Charges for services	18,700	18,700	19,060	360
Licenses and permits	2,000	2,000	2,420	420
Franchise fees	-	-	31,086	31,086
Investment earnings	20,000	20,000	58,188	38,188
Other	900	900	1,197	297
Total revenues	<u>603,100</u>	<u>603,100</u>	<u>732,340</u>	<u>129,240</u>
EXPENDITURES				
Current				
General government				
Township board	1,590,368	1,585,868	122,514	1,463,354
Supervisor	31,130	31,130	28,874	2,256
Elections	7,700	12,200	8,225	3,975
Clerk	45,077	45,077	42,824	2,253
Treasurer	44,930	44,930	40,153	4,777
Assessor	80,027	80,027	72,297	7,730
Data processing	28,600	28,600	22,030	6,570
Townhall	34,000	34,000	27,825	6,175
Board of review	3,000	3,000	2,153	847
Cemetary	3,600	3,600	2,915	685
Public works				
Sanitation	12,000	12,000	9,438	2,562
Highways and streets	26,000	26,000	268	25,732
Community and economic development				
Industrial park	12,900	12,900	-	12,900
Planning and zoning	37,700	37,700	18,944	18,756
Zoning board of appeals	1,600	1,600	450	1,150
Capital outlay	<u>3,398</u>	<u>3,398</u>	<u>3,398</u>	<u>-</u>
Total expenditures	<u>1,962,030</u>	<u>1,962,030</u>	<u>402,308</u>	<u>1,559,722</u>
Excess of revenues over expenditures	<u>(1,358,930)</u>	<u>(1,358,930)</u>	<u>330,032</u>	<u>1,688,962</u>
OTHER FINANCING USES				
Transfers out	<u>-</u>	<u>-</u>	<u>(13,270)</u>	<u>(13,270)</u>
Net change in fund balance	<u>\$ (1,358,930)</u>	<u>\$ (1,358,930)</u>	<u>316,762</u>	<u>\$ 1,675,692</u>
Fund balance at July 1, 2006			<u>1,383,899</u>	
Fund balance at June 30, 2007			<u>\$ 1,700,661</u>	

Morton Township
Required Supplementary Information
Budgetary Comparison Schedule
Building Department Fund
For the year ended June 30, 2007

	Budgeted Amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Licenses and permits	\$ 85,500	\$ 2,000	\$ 62,655	\$ 60,655
Investment earnings	1,000	1,000	659	(341)
Total revenues	86,500	3,000	63,314	60,314
EXPENDITURES				
Current				
Public safety				
Building board of appeals	500	500	-	500
Building department	78,215	78,215	70,184	8,031
Plumbing and mechanical inspection department	22,000	22,000	17,280	4,720
Electrical inspection department	12,100	12,100	8,185	3,915
Total expenditures	112,815	112,815	95,649	17,166
Excess of revenues over expenditures	(26,315)	(109,815)	(32,335)	77,480
OTHER FINANCING SOURCES				
Transfers in	-	-	12,000	12,000
Net change in fund balance	\$ (26,315)	\$ (109,815)	(20,335)	\$ 89,480
Fund balance at July 1, 2006			26,472	
Fund balance at June 30, 2007			\$ 6,137	

Morton Township
Required Supplementary Information
Budgetary Comparison Schedule
Fire & Rescue Operating Fund
For the year ended June 30, 2007

	Budgeted Amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 116,000	\$ 116,000	\$ 117,768	\$ 1,768
Charges for services	18,500	18,500	14,330	(4,170)
Investment earnings	1,100	1,100	1,307	207
Other	-	-	68	68
Total revenues	135,600	135,600	133,473	(2,127)
EXPENDITURES				
Current				
Public Safety				
Fire department	117,259	117,259	93,595	23,664
Rescue department	56,200	56,200	46,037	10,163
Total expenditures	173,459	173,459	139,632	33,827
Excess of revenues over expenditures	(37,859)	(37,859)	(6,159)	31,700
OTHER FINANCING SOURCES				
Transfers in	-	-	1,270	1,270
Net change in fund balance	\$ (37,859)	\$ (37,859)	(4,889)	\$ 32,970
Fund balance at July 1, 2006			37,304	
Fund balance at June 30, 2007			\$ 32,415	

Morton Township
Required Supplementary Information
Budgetary Comparison Schedule
Library Fund
For the year ended June 30, 2007

	Budgeted Amounts			Variance with final budget-
REVENUES	Original	Final	Actual	positive (negative)
Property taxes	\$ 381,500	\$ 381,500	\$ 183,120	\$ (198,380)
Intergovernmental revenues - state	180,000	180,000	4,151	(175,849)
Charges for services	18,700	18,700	20,394	1,694
Penal fines	2,000	2,000	38,796	36,796
Donations	-	-	15,450	15,450
Investment earnings	900	900	34,959	34,059
Total revenues	583,100	583,100	296,870	(286,230)
EXPENDITURES				
Current				
Library				
Personal services	112,000	112,000	111,885	115
Payroll taxes	8,500	8,500	8,559	(59)
Health insurance	17,000	17,000	16,911	89
Retirement	4,000	4,000	4,479	(479)
Supplies	9,000	9,000	9,609	(609)
Books	26,000	26,000	26,350	(350)
Travel	1,500	1,500	1,316	184
Education	4,500	4,500	4,692	(192)
Membership	1,100	1,100	2,179	(1,079)
Telephone	3,600	3,600	3,587	13
Utilities	8,700	8,700	8,687	13
Repair and maintenance	8,600	8,600	8,923	(323)
Insurance	2,000	2,000	1,647	353
Public relations	7,100	7,100	7,805	(705)
Postage and delivery	1,900	1,900	1,943	(43)
Legal and audit	300	300	234	66
Equipment	7,000	7,000	6,723	277
Miscellaneous	1,400	1,400	2,340	(940)
Technology	16,500	16,500	16,795	(295)
Total expenditures	240,700	240,700	244,664	(3,964)
Net change in fund balance	\$ 342,400	\$ 342,400	52,206	\$ (290,194)
Fund balance at July 1, 2006			337,337	
Fund balance at June 30, 2007			\$ 389,543	